

106TH CONGRESS
1ST SESSION

H. R. 3496

To amend the Internal Revenue Code of 1986 to provide that certain uses of a facility owned by a tax-exempt organization shall not be treated as private business use for purposes of determining whether bonds issued to provide the facility are tax-exempt bonds.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 18, 1999

Mr. TANNER introduced the following bill; which was referred to the
Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide that certain uses of a facility owned by a tax-exempt organization shall not be treated as private business use for purposes of determining whether bonds issued to provide the facility are tax-exempt bonds.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. CERTAIN USES OF FACILITY OF TAX-EXEMPT**
4 **ORGANIZATION NOT TREATED AS PRIVATE**
5 **BUSINESS USE.**

6 (a) IN GENERAL.—Section 145 of the Internal Rev-
7 enue Code of 1986 (relating to qualified 501(c)(3) bonds)

1 is amended by redesignating subsection (e) as subsection
2 (f) and by inserting after subsection (d) the following new
3 subsection:

4 “(e) CERTAIN USE NOT TREATED AS PRIVATE BUSI-
5 NESS USE.—In the case of a facility owned by a 501(c)(3)
6 organization, use of such facility by a nongovernmental
7 person solely resulting from the purchase of a franchise
8 or similar-type asset by such 501(c)(3) organization shall
9 not be treated as a private business use if—

10 “(1) the nongovernmental person is not entitled
11 to control the economic operations of the facility,

12 “(2) the nongovernmental person does not have
13 an interest in revenues derived with respect to the
14 facility,

15 “(3) such 501(c)(3) organization is not obli-
16 gated by contract or otherwise to compensate the
17 nongovernmental person with respect to activities or
18 services performed by such nongovernmental person
19 at the facility, and

20 “(4) the nongovernmental person does not have
21 any leasehold interest in the facility.

22 Paragraphs (2) and (3) shall be applied by disregarding
23 any annual payment (other than a payment representing
24 a share of net profits) by the 501(c)(3) organization of
25 less than 5 percent of the annual revenues generated by

1 the facility if such payment is required pursuant to stand-
2 ard agreements relating to the purchase of such franchise
3 or similar-type asset.”

4 (b) EFFECTIVE DATE.—The amendment made by
5 this section shall apply to uses after the date of the enact-
6 ment of this Act.

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